

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Huron County Parks	County Huron
Audit Date 12/31/04	Opinion Date 6/1/05	Date Accountant Report Submitted to State: 6/29/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Brining & Nartker, P.C.			
Street Address 64 Westland Drive	City Bad Axe	State MI	ZIP 48413
Accountant Signature <i>Brining & Nartker, P.C. by: Douglas P. Brining CPA</i>		Date 6/30/05	

BRINING & NARTKER, P.C.

Certified Public Accountants

DOUGLAS P. BRINING, CPA
JOSEPH H. NARTKER, CPA

STEVEN J. WATSON, CPA
JOY A. KERR, CPA
EDWARD J. MOORE, CPA

Members of
Michigan Association of
Certified Public Accountants

American Institute of
Certified Public Accountants

June 1, 2005

Board of Commissioners
Huron County Road Commission
Bad Axe, Michigan 48413

The following comments relate to situations brought to our attention during the course of our recent audit of the Huron County Parks financial statements, for the year ended December 31, 2004, and are submitted for your evaluation and consideration. We would like to emphasize that, since our audit was conducted for the purpose of expressing an opinion on the aforementioned financial statements, these comments are not necessarily all inclusive.

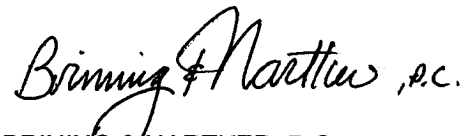
Capitalization Policy

The implementation of GASB Statement No. 34 requires a conversion of the fund financial statement to the government-wide financial statements. Capital assets are one of the items that are accounted for differently between these two types of statements. Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads and bridges), are generally defined as tangible in nature with an estimated useful life of two or more years and an original cost over a dollar threshold (e.g. \$1,000 or \$5,000). These asset costs are then recorded on the balance sheet and depreciated over their estimated useful life, rather than treated as a current year expenditure.

We recommend that the Board adopt a capitalization policy which defines their criteria of what a capital asset is. This policy should include a dollar threshold and a table that establishes estimated useful lives for the different types of capital assets used.

We wish to take this opportunity to thank the officials with whom we have worked for the cooperation we received throughout our audit.

As always, our firm will be happy to assist in implementing any recommendations approved by the Board.



BRINING & NARTKER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

**HURON COUNTY PARKS
A COMPONENT UNIT OF HURON COUNTY, MICHIGAN**

**FINANCIAL REPORT
DECEMBER 31, 2004**

**HURON COUNTY PARKS
A COMPONENT UNIT OF HURON COUNTY, MICHIGAN**

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INDEPENDENT AUDITORS' REPORT

Board of County Road Commissioners of
Huron County
Bad Axe, Michigan 48413

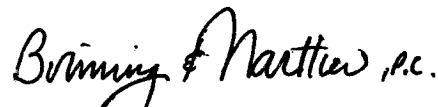
We have audited the basic financial statements of the Huron County Parks, a component unit of Huron County, Michigan, as of December 31, 2004, and for the year then ended as listed in the table of contents. These financial statements are the responsibility of the Park's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Management has not prepared their discussion and analysis information for the Huron County Parks. This discussion is required by U.S. generally accepted accounting principles as supplemental information.

In our opinion, except for the omission of management's discussion and analysis as discussed in the previous paragraph, which results in an incomplete presentation, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Huron County Parks as of December 31, 2004, and the results of its operations for the year then ended, in conformity with U.S. generally accepted accounting principles.

The budgetary comparison information on page 10 is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



BRINING & NARTKER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

June 1, 2005

BASIC FINANCIAL STATEMENTS

**HURON COUNTY PARKS
A COMPONENT UNIT OF HURON COUNTY, MICHIGAN
STATEMENT OF NET ASSETS
DECEMBER 31, 2004**

ASSETS:

Current assets:

Cash	\$ 558,299
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Noncurrent assets:

Capital assets (net of accumulated depreciation)	2,841,968
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TOTAL ASSETS	<u>3,400,267</u>
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LIABILITIES:

Current liabilities:

Due to other component units	312,382
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TOTAL LIABILITIES	<u>312,382</u>
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NET ASSETS:

Investment in capital fixed assets net of related debt	2,841,968
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Unrestricted	100,979
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Restricted for capital projects	144,938
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TOTAL NET ASSETS	<u>\$ 3,087,885</u>
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The accompanying notes are an integral part of the financial statements.

**HURON COUNTY PARKS
A COMPONENT UNIT OF HURON COUNTY, MICHIGAN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2004**

PROGRAM EXPENSES:

Recreation and Cultural - Parks:

Personal services	\$ 46,915
Maintenance expense	601,798
Utilities	152,294
Museum expense	3,931
Administrative expense	43,351
Depreciation expense	90,251

TOTAL PROGRAM EXPENSES

938,540

PROGRAM REVENUE:

Charges for services	931,423
Investment earnings	4,188

TOTAL PROGRAM REVENUE

935,611

NET PROGRAM REVENUE

(2,929)

GENERAL REVENUE:

Donations	3,000
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SPECIAL ITEMS:

Gain on sale of assets	102,846
Sale of easement	25,200

TOTAL GENERAL REVENUE AND SPECIAL ITEMS

131,046

CHANGE IN NET ASSETS

128,117

NET ASSETS - BEGINNING OF YEAR

2,959,768

NET ASSETS - END OF YEAR

\$ 3,087,885

The accompanying notes are an integral part of the financial statements.

**HURON COUNTY PARKS
A COMPONENT UNIT OF HURON COUNTY, MICHIGAN
BALANCE SHEET
GOVERNMENTAL FUND
DECEMBER 31, 2004**

<u>ASSETS</u>		
Cash and investments	\$	558,299
TOTAL ASSETS	<u>\$</u>	<u>558,299</u>
<u>LIABILITIES AND FUND BALANCE</u>		
LIABILITIES:		
Due to other component units		312,382
TOTAL LIABILITIES		<u>312,382</u>
FUND BALANCE:		
Fund balance - designated		144,938
Fund balance - undesignated		100,979
TOTAL LIABILITIES AND FUND BALANCE	<u>\$</u>	<u>457,320</u>

**HURON COUNTY PARKS
RECONCILIATION OF THE BALANCE SHEET FUND BALANCE TO
THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2004**

Total governmental fund balance	\$	245,917
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		2,841,968
Net assets of governmental activities	<u>\$</u>	<u>3,087,885</u>

The accompanying notes are an integral part of the financial statements.

HURON COUNTY PARKS
A COMPONENT UNIT OF HURON COUNTY, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCE - GOVERNMENTAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2004

REVENUES:	
Rental and user fees	\$ 931,423
Interest	4,188
Donations	3,000
TOTAL REVENUES	<u>938,611</u>
EXPENDITURES:	
Administrative	32,014
Electricity	61,572
Garbage collection	24,680
Heat	3,375
Insurance	11,337
Repairs and maintenance	577,118
Sewer and water	83,225
Supplies and materials	3,931
Telephone	4,122
Wages	46,915
Capital outlay	18,530
TOTAL EXPENDITURES	<u>866,819</u>
EXCESS OF REVENUES OVER (UNDER)	
EXPENDITURES	<u>71,792</u>
SPECIAL ITEMS:	
Sale of land	102,846
Sale of easement	25,200
NET CHANGE IN FUND BALANCE	<u>199,838</u>
FUND BALANCE - JANUARY 1	46,079
FUND BALANCE - DECEMBER 31	<u><u>\$ 245,917</u></u>

HURON COUNTY PARKS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCE OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2004

Net change in fund balance - total governmental funds	\$ 199,838
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. Equipment retirement is recorded as an expenditure credit in governmental funds, but not recorded as an expense in the statement of activities.	(71,721)
Change in net assets of governmental activities.	<u><u>\$ 128,117</u></u>

The accompanying notes are an integral part of the financial statements.

**HURON COUNTY PARKS
A COMPONENT UNIT OF HURON COUNTY, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Huron County Parks conform to U.S. generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Huron County Parks.

The Reporting Entity

In accordance with the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 14, the Parks Fund is considered to be a component unit of Huron County for financial reporting purposes. The criteria established by GASB for determining the various governmental organizations to be included in the financial reporting entity's statements are discussed in the following paragraphs.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

The reasons cited for including the Huron County Parks as a component unit of Huron County (the primary government) include the appointment of the Road Commission's three member governing board, the ability to impose its will on the Parks and the potential for a financial benefit or burden on the County.

Related Organizations

The Board of County Road Commissioners are the appointed trustees of the Parks Fund of Huron County. It is also the appointed governing body of the Road Commission, Drains and Airport Funds and these funds are also component units of Huron County, but are not included in these financial statements. The component unit financial statements for the Road Commission, Drains and Airport Funds are issued in separate reports, which are available at the Huron County Road Commission office located at 417 South Hanselman Street, Bad Axe, Michigan.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements (i.e., statement of net assets and statement of activities) are reported using the economic resource measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grant and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Budget

The budget, and all amendments thereto, for the Governmental Fund Type is adopted to the fund level consistent with generally accepted accounting principles. The budgeted amounts shown in budget to actual comparisons are the final amended budgets. All annual appropriations lapse at year end. The Parks Fund does not utilize encumbrance accounting.

(Continued)

**HURON COUNTY PARKS
A COMPONENT UNIT OF HURON COUNTY, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(CONTINUED)**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Depreciation

Capital outlays are recorded as expenditures of the Special Revenue Fund and as assets in the government-wide financial statements. Depreciation is recorded on general fixed assets on a government-wide basis using the straight line method and the following estimated useful lives:

Buildings	25-50 years
Campsite improvements	15-50 years
Equipment	15-30 years

NOTE 2 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

P.A. 621 of 1978, section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

During the year ended December 31, 2004, the Parks Fund did not incur expenditures in excess of the amounts appropriated.

NOTE 3 - CASH AND INVESTMENTS

Deposits are carried at cost. Deposits of the Parks Fund are at various banks in the name of the Huron County Treasurer. Michigan Compiled Laws authorize the County to deposit and invest in the accounts of Federally insured banks, credit unions and savings and loans associations with an office located in Michigan; bonds, securities and other obligations of the United States, or an agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; and investment pools organized under the surplus funds investment pool act. Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money.

The Parks Fund's deposits are in accordance with statutory authority. The Governmental Accounting Standards Board (GASB) Statement No. 3 risk disclosures for the Parks Fund's cash deposits are as follows:

<u>DEPOSITS</u>	<u>CARRYING AMOUNT</u>
Insured (FDIC)	
Uninsured	\$ *
Total deposits	<u>\$ 558,299</u>

*For the purposes of these component unit financial statements, the extent of FDIC insurance coverage cannot be determined because some of the accounts are maintained by the Huron County Treasurer in pooled accounts, which include other county funds that are outside of the Parks Fund's reporting entity. These accounts are maintained at various banking institutions which are also used for deposits of other funds of the County of Huron.

HURON COUNTY PARKS
A COMPONENT UNIT OF HURON COUNTY, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(CONTINUED)

NOTE 4 – CAPITAL ASSETS

Capital assets activity for the current year was as follows:

	Balance January 1, <u>2004</u>	<u>Additions</u>	<u>Deletions</u>	Balance December 31, <u>2004</u>
Capital assets, not being depreciated -				
Land	\$ 654,401	\$ -	\$ -	\$ 654,401
Land improvements	269,500	-	-	269,500
Total capital assets, not being depreciated	<u>923,901</u>	<u>-</u>	<u>-</u>	<u>923,901</u>
Capital assets, being depreciated -				
Buildings	1,688,769	-	-	1,688,769
Campsite improvements	1,199,938	13,107	-	1,213,045
Equipment	159,817	5,423	-	165,240
	<u>3,048,524</u>	<u>18,530</u>	<u>-</u>	<u>3,067,054</u>
Less - accumulated depreciation for -				
Buildings	532,459	39,257	-	571,716
Campsite improvements	478,421	44,437	-	522,858
Equipment	47,856	6,557	-	54,413
	<u>1,058,736</u>	<u>90,251</u>	<u>-</u>	<u>1,148,987</u>
Total capital assets, being depreciated, net	<u>1,989,788</u>	<u>(71,721)</u>	<u>-</u>	<u>1,918,067</u>
Governmental activity capital assets, net	<u>\$ 2,913,689</u>	<u>\$ (71,721)</u>	<u>\$ -</u>	<u>\$ 2,841,968</u>

NOTE 5 - DUE FROM/TO OTHER COMPONENT UNITS

Interfund receivable and payable balances at December 31, 2004 are as follows:

	<u>DUE FROM</u>	<u>DUE TO</u>
Parks Fund:		
Road Commission *	<u>\$ -</u>	<u>\$ 313,382</u>
	<u>\$ -</u>	<u>\$ 312,382</u>

*The Road Fund is the operating fund of the Huron County Road Commission, which is another component unit of the County of Huron. The financial statements for the Huron County Road Commission are issued under separate cover.

**HURON COUNTY PARKS
A COMPONENT UNIT OF HURON COUNTY, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(CONTINUED)**

NOTE 6 - RISK MANAGEMENT

The Parks Fund is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Parks Fund has obtained insurance coverage for these risks through the Huron County Road Commission as a member of the Michigan County Road Commission Self Insurance Pool, a public entity risk pool. The MCRCSIP currently operates as a common risk management and insurance program which charges annual premiums to its members for coverage. The pool is self-sustaining through member premiums and provides reinsurance through commercial companies for claims in excess of \$10 million for each insured event.

SUPPLEMENTAL INFORMATION

**HURON COUNTY PARKS
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FROM BUDGET POSITIVE (NEGATIVE)</u>
REVENUES:				
Rental and user fees	\$ 969,000	\$ 931,000	\$ 931,423	\$ 423
Grants	70,000	-	-	-
Interest	-	-	4,188	4,188
Donations	-	-	3,000	3,000
TOTAL REVENUES	<u>1,039,000</u>	<u>931,000</u>	<u>938,611</u>	<u>7,611</u>
EXPENDITURES:				
Administrative			32,014	
Electricity			61,572	
Garbage collection			24,680	
Heat			3,375	
Insurance			11,337	
Repairs and maintenance			577,118	
Sewer and water			83,225	
Supplies and materials			3,931	
Telephone			4,122	
Wages			46,915	
Capital outlay			18,530	
TOTAL EXPENDITURES	<u>1,069,000</u>	<u>868,000</u>	<u>866,819</u>	<u>1,181</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(30,000)</u>	<u>63,000</u>	<u>71,792</u>	<u>8,792</u>
SALE OF ITEMS:				
Sale of land	-	102,846	102,846	-
Sale of easement	-	25,200	25,200	-
NET CHANGE IN FUND BALANCE	<u>(30,000)</u>	<u>191,046</u>	<u>199,838</u>	<u>8,792</u>
FUND BALANCE - JANUARY 1	46,079	46,079	46,079	-
FUND BALANCE - DECEMBER 31	<u>\$ 16,079</u>	<u>\$ 237,125</u>	<u>\$ 245,917</u>	<u>\$ 8,792</u>